

PRESS RELEASE

Household and non-financial corporate sector interest rates, interbank lending rates: November 2006

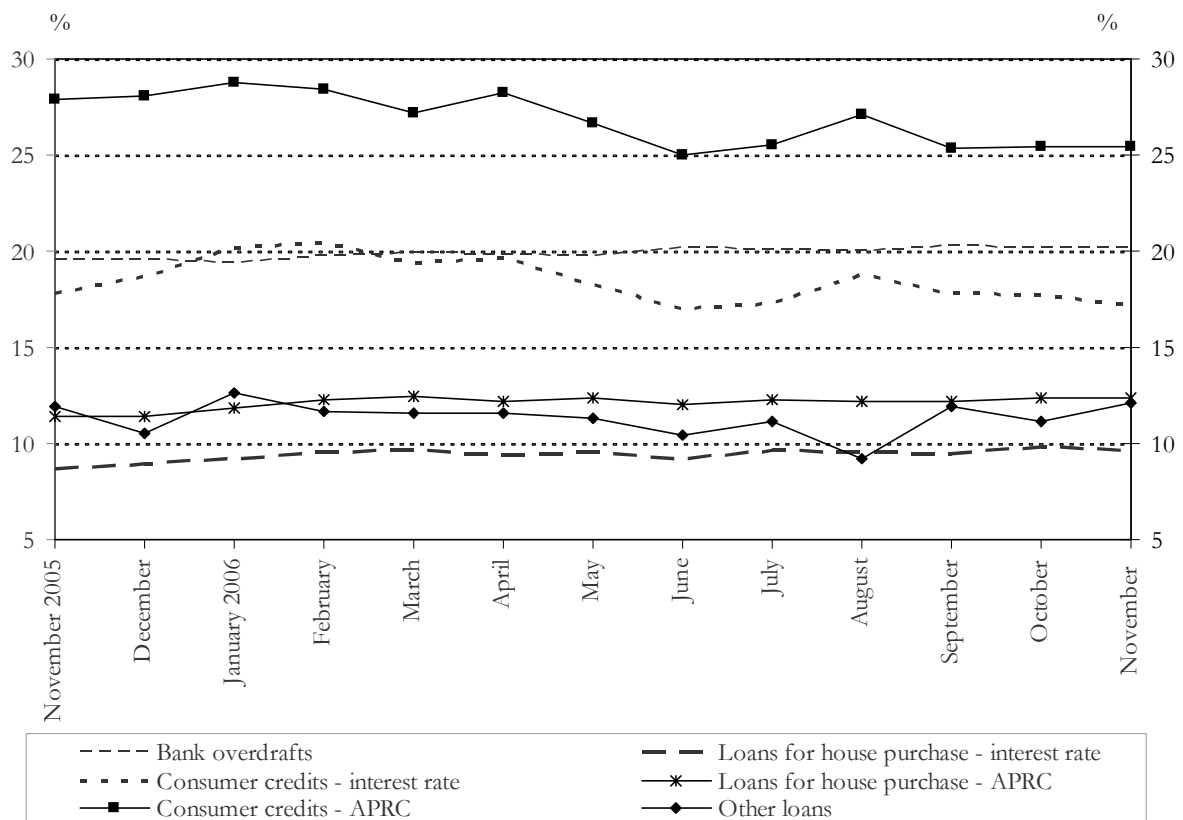
In November, the average interest rate on forint-denominated consumer credits to households declined slightly, while that on other loans increased. The average interest rate on deposits with an agreed maturity rose at every maturity. In general, the average interest rates on euro loans to the sector declined.

Average interest rates on non-financial corporations' forint loans and forint deposits increased to a lesser extent than the increase in money market interest rates. The level of average interest rates on non-financial corporations euro loans and euro deposits remained unchanged.

1. Households

1.1. Forint loans and forint deposits

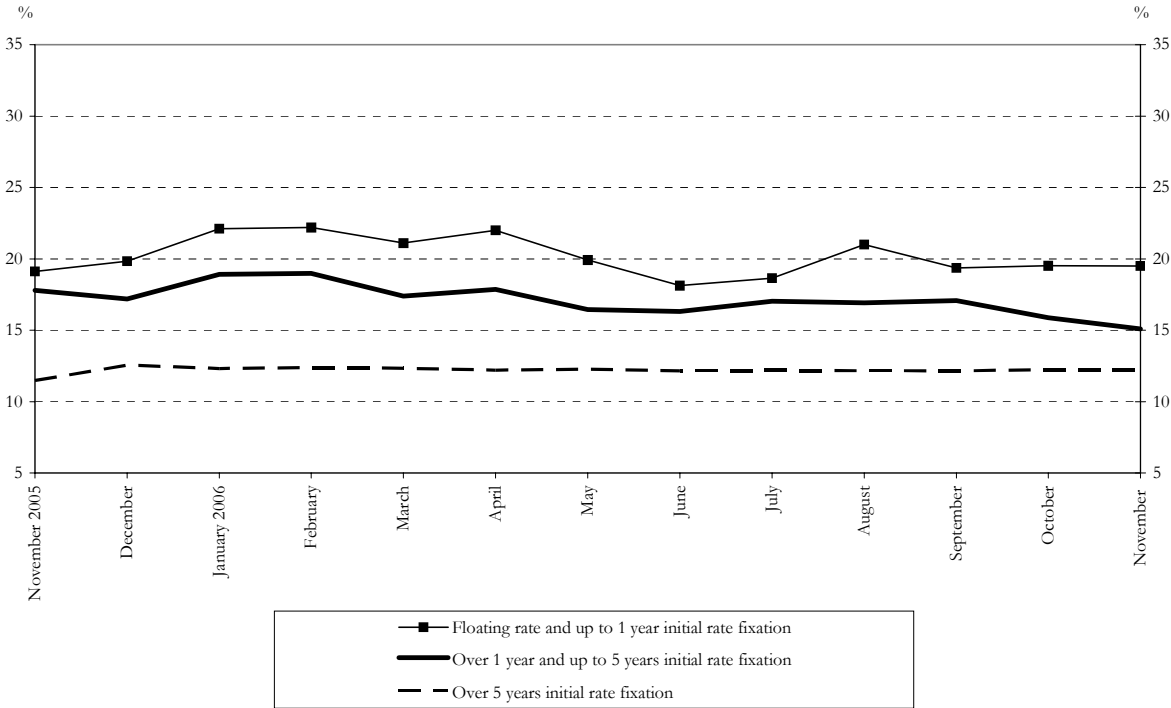
Chart 1 Monthly average interest rates and APR on forint loans to households



The average interest rate on the household sector's overdrafts has been above 20% since June, amounting to 20.21% in November. The average interest rate on bank housing loans¹ has been around 9.5% since February 2006; the interest rate was 9.61% in November. The average APR has not changed compared to the level in the previous month, amounting to 12.41% in November. The average interest rate on consumer credit slightly declined in November as a result of interest rate campaigns, amounting to 17.19%, while its APR was 25.42%. The average interest rate on other loans increased from the earlier 11% to 12.12% due to a change in the composition of new loan agreements.

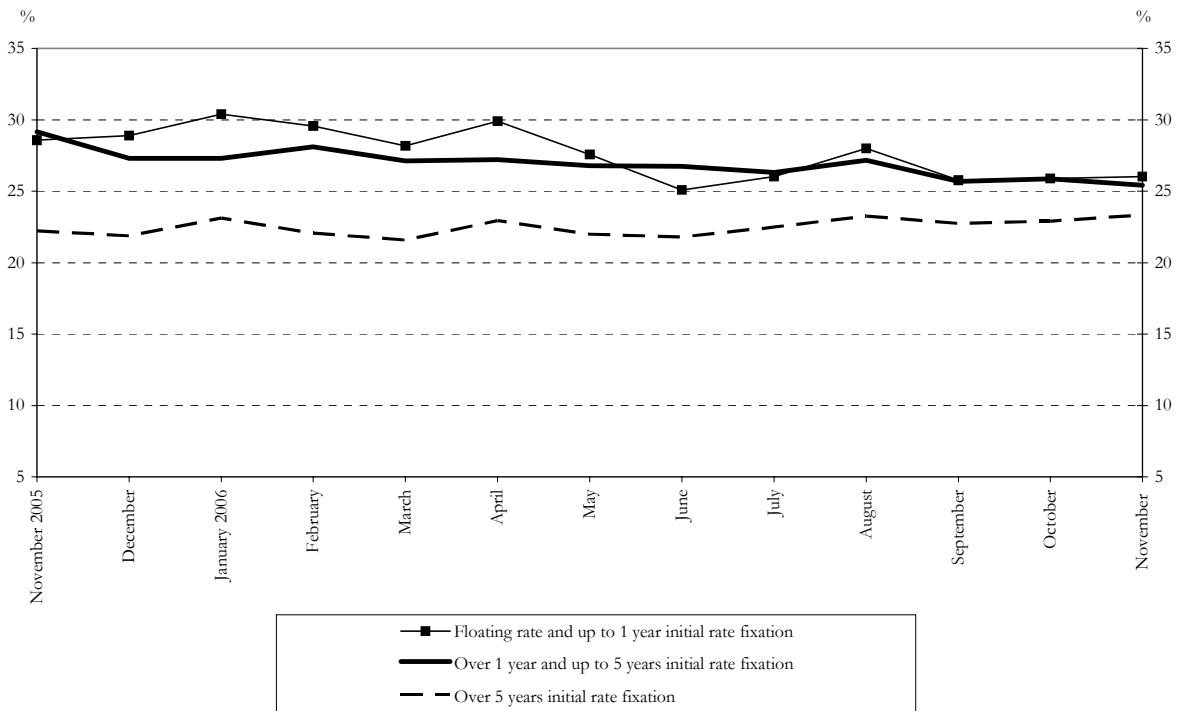
In November 2006 the value of new consumer credits and loans for house purchase also rose; in the last one year the value of forint loans for house purchase granted in a month was the highest in November 2006, amounting to HUF 19.0 billion. The value of other new loans fell to HUF 4.7 billion.

Chart 2 Monthly average interest rates on forint consumer credit



¹ This press release contains market interest rates and APR on bank loans for house purchase. In the case of subsidised housing loans, average interest rates and the APR include interest rates after adjusting for the amount of government subsidy.

Chart 3 Monthly average APR on forint consumer credit



Of the average interest rates and APR on consumer credit only those on credit with over 1 and up to 5 years initial rate fixation changed significantly. As a result of credit campaigns which continued in November as well, the interest rate declined from the 17% level two months earlier to around 15%, amounting to 15.08%.

Chart 4 Monthly average interest rates on forint housing loans

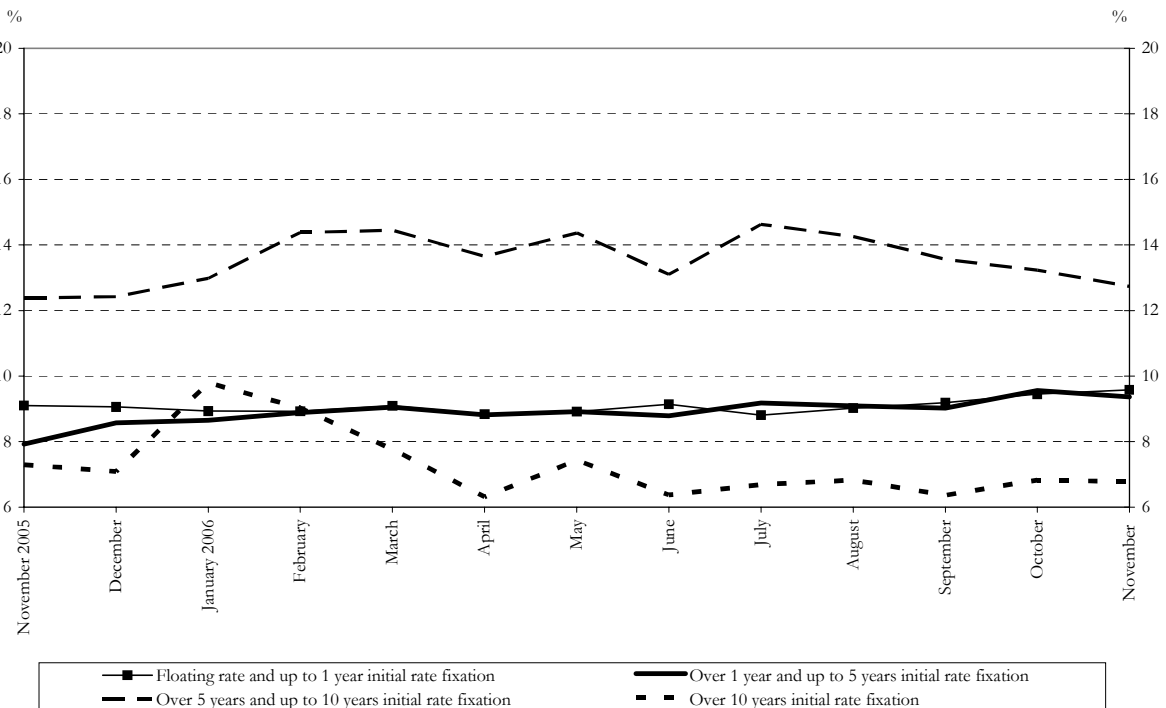
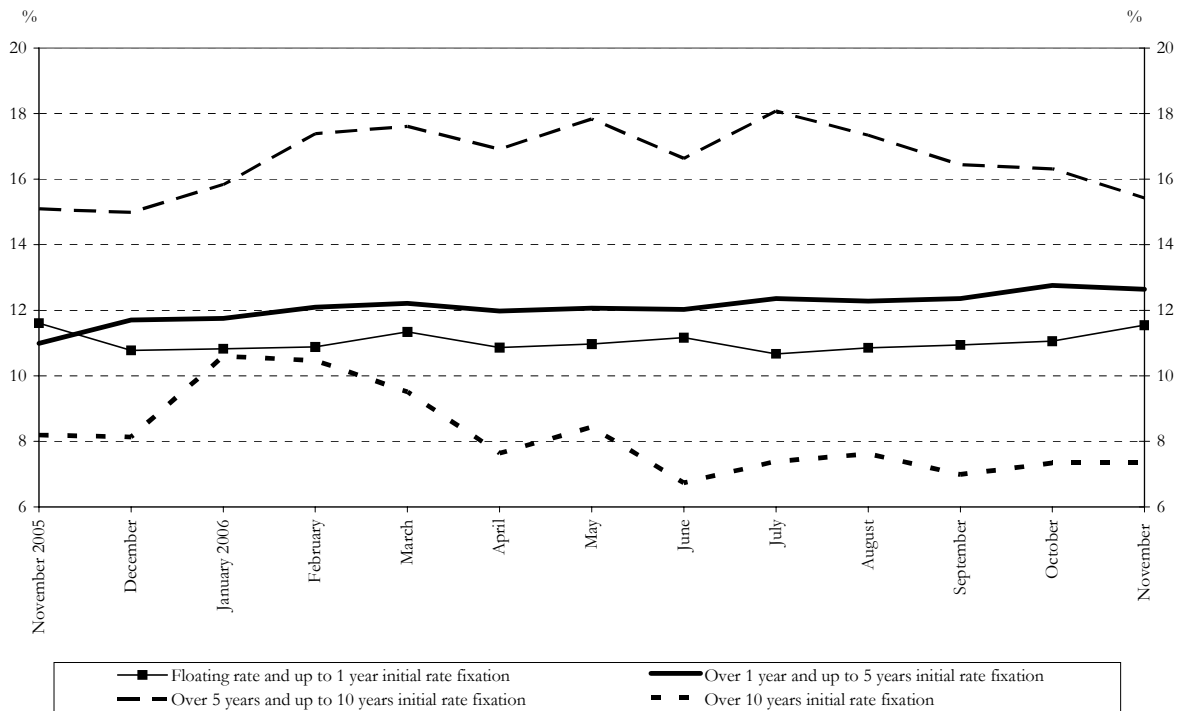


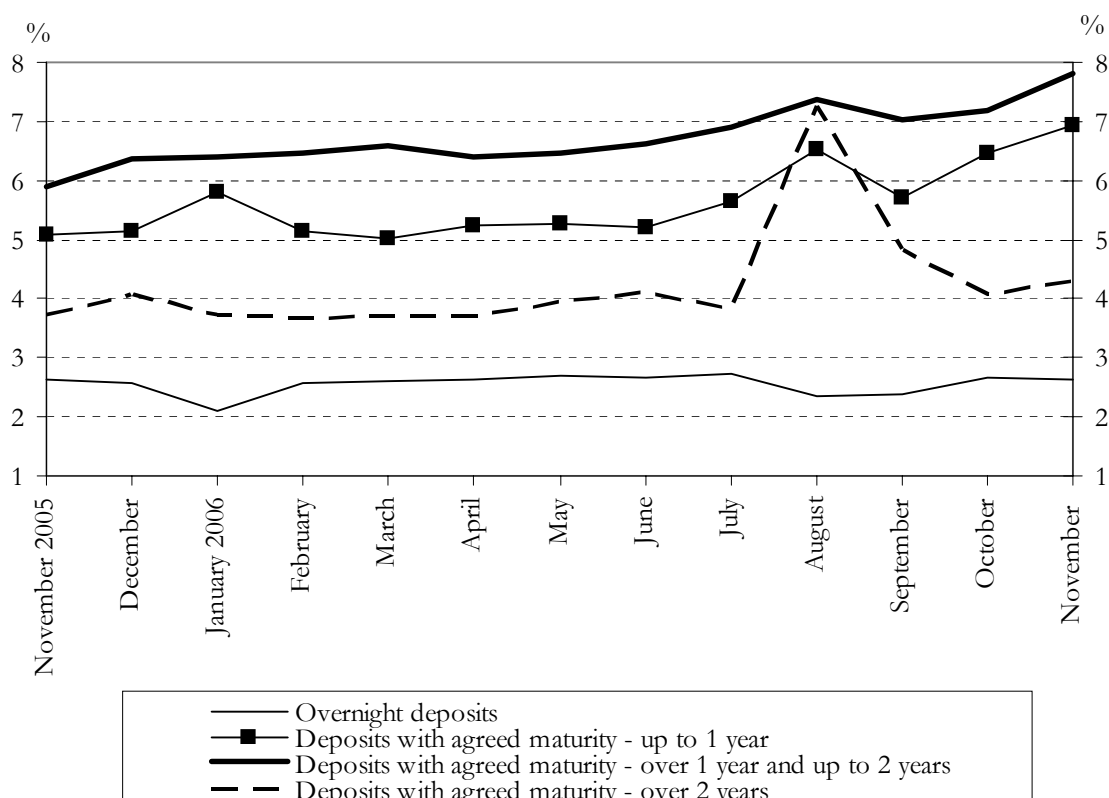
Chart 5 Monthly average APR on forint housing loans



The average interest rate and APR on loans with over 5 years and up to 10 years initial rate fixation have been steadily declining since August, amounting in November to 12.74% and 15.42%, respectively.

In case of loans with other initial rate fixations, interest rates and APRs have not changed significantly. The average interest rate and APR on loans for house purchase with floating interest rates or with up to one year initial rate fixation amounted to 9.58% and 11.55%, respectively. The interest rate and APR on loans with over 1 year and up to 5 years initial rate fixation, where the value of new loans amounted to 60% of all housing loans in November, was 9.37% and 12.64%, respectively.

Chart 6 Monthly average interest rates on household forint deposits

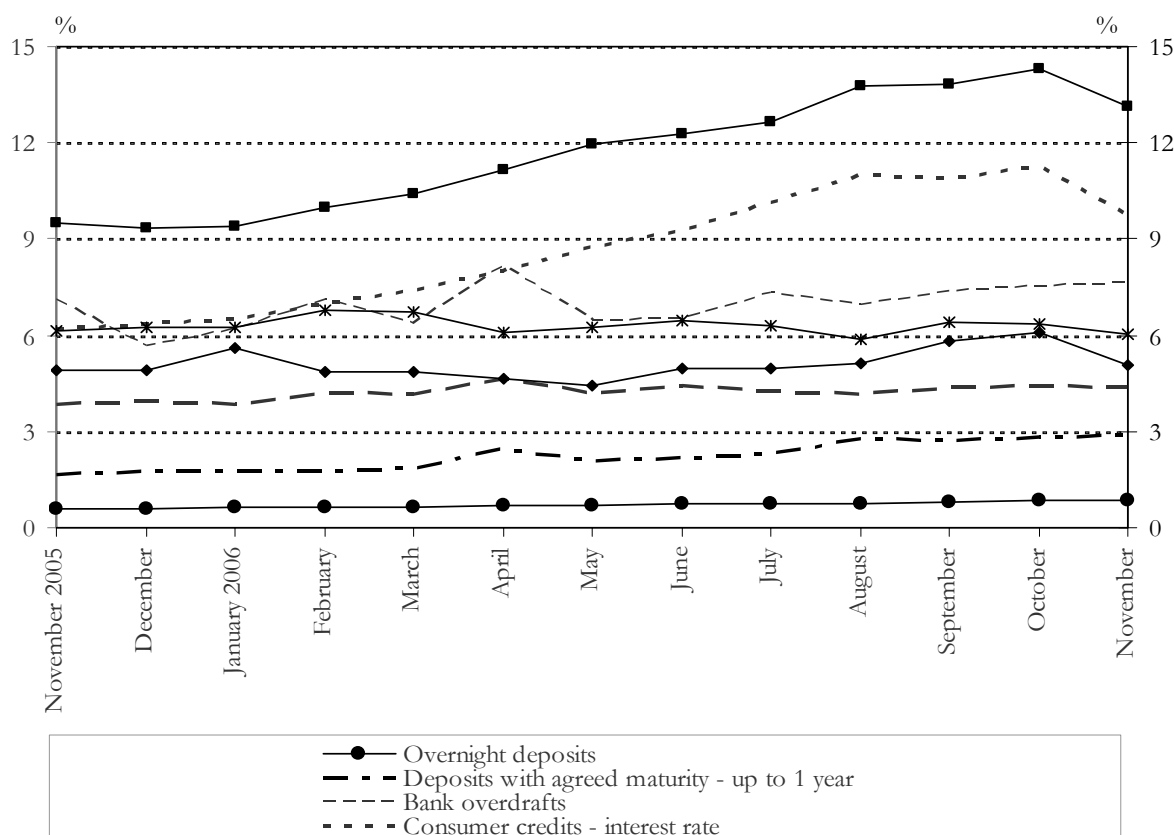


The average interest rate on households' overnight deposits was 2.62% in November. Average interest rates on households' forint deposits with an agreed maturity increased at every maturity. In November, the interest rate on deposits with an agreed maturity up to one year amounted to 6.93%, while that on deposits with an agreed maturity over 1 year and up to 2 years amounted to 7.81%. In the same month the average interest rate on deposits with an agreed maturity of over two years was 4.30%.

The amount of new deposits with agreed maturity increased slightly, and reached HUF 447.6 billion.

1.2. Euro loans and deposits

Chart 7 Monthly average interest rates and APR on euro loans to households and monthly average interest rates on household euro deposits²



The upward trend of the average interest rate on euro overdrafts since September has continued, and the interest rate amounted to 7.65% in November. In the same month, the average interest rate and APR on loans for house purchase with floating interest rates or with up to one year initial rate fixation was 4.40% and 6.06%, respectively. Following higher values in the preceding months, the average interest rate and APR on consumer credits with floating interest rates or with up to one year initial rate fixation returned to the vicinity of the July level, amounting to 9.74% and 13.12%, respectively. The average interest rate on other loans with floating interest rates or with up to one year initial rate fixation also declined, returning to the earlier 5% level and amounting to 5.07%.

In November, the average interest rate on households' euro deposits remained at the October level. The average interest rate on overnight deposits was 0.85%, while that on deposits with agreed maturity of up to one year amounted to 2.87%.

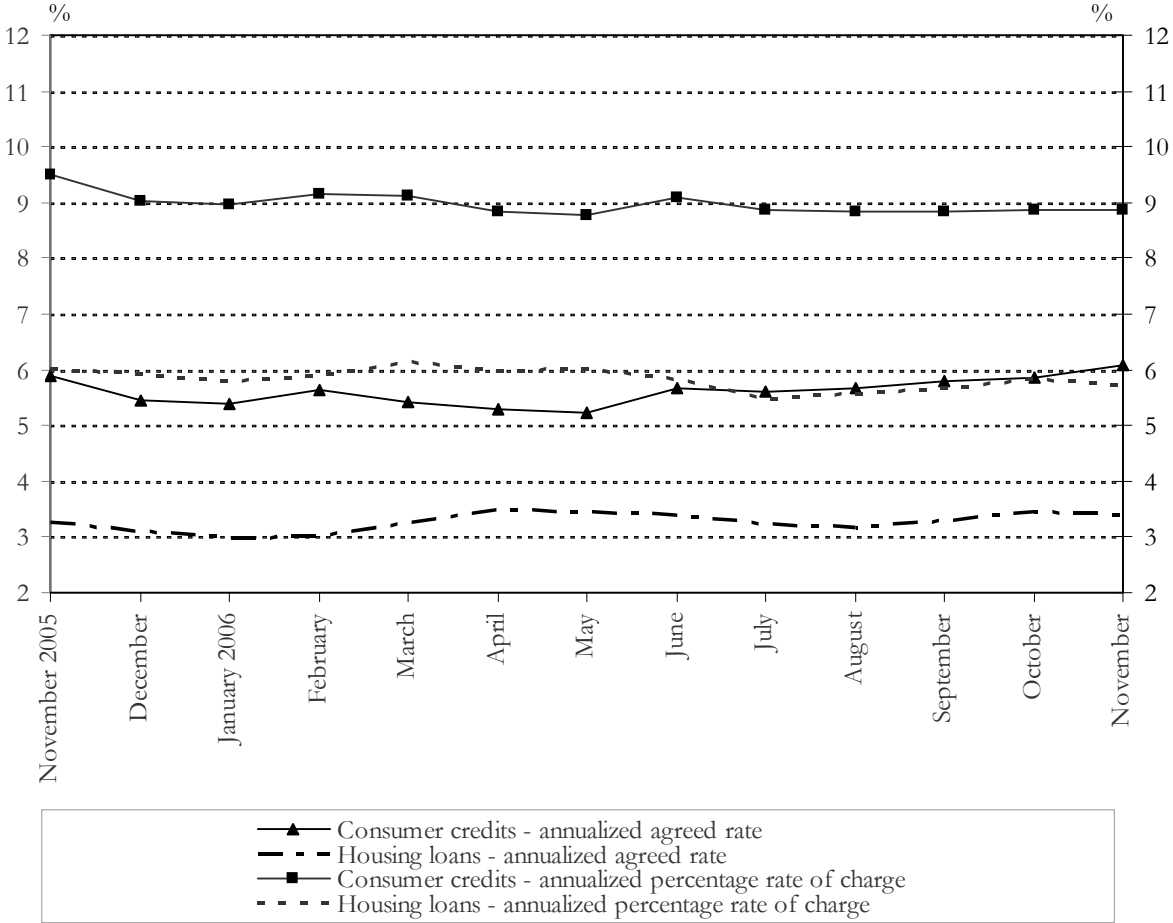
The value of households' euro deposits amounted to HUF 105.9 billion in November. Of the euro-denominated loan agreements³ only the value of other loans increased, reaching HUF 3.1 billion in November. In the same month the total value of new consumer credit and housing loans amounted to HUF 0.8 billion.

² Chart 7 plots data on consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

³ The amounts of consumer, housing and other loans with floating interest rates or with up to one year initial rate fixation.

1.3. Swiss franc-denominated consumer credit and housing loan rates

Chart 8 Average annualised agreed rates and APR on Swiss franc consumer credit and housing loans with floating interest rates or with up to one year initial rate fixation ⁴



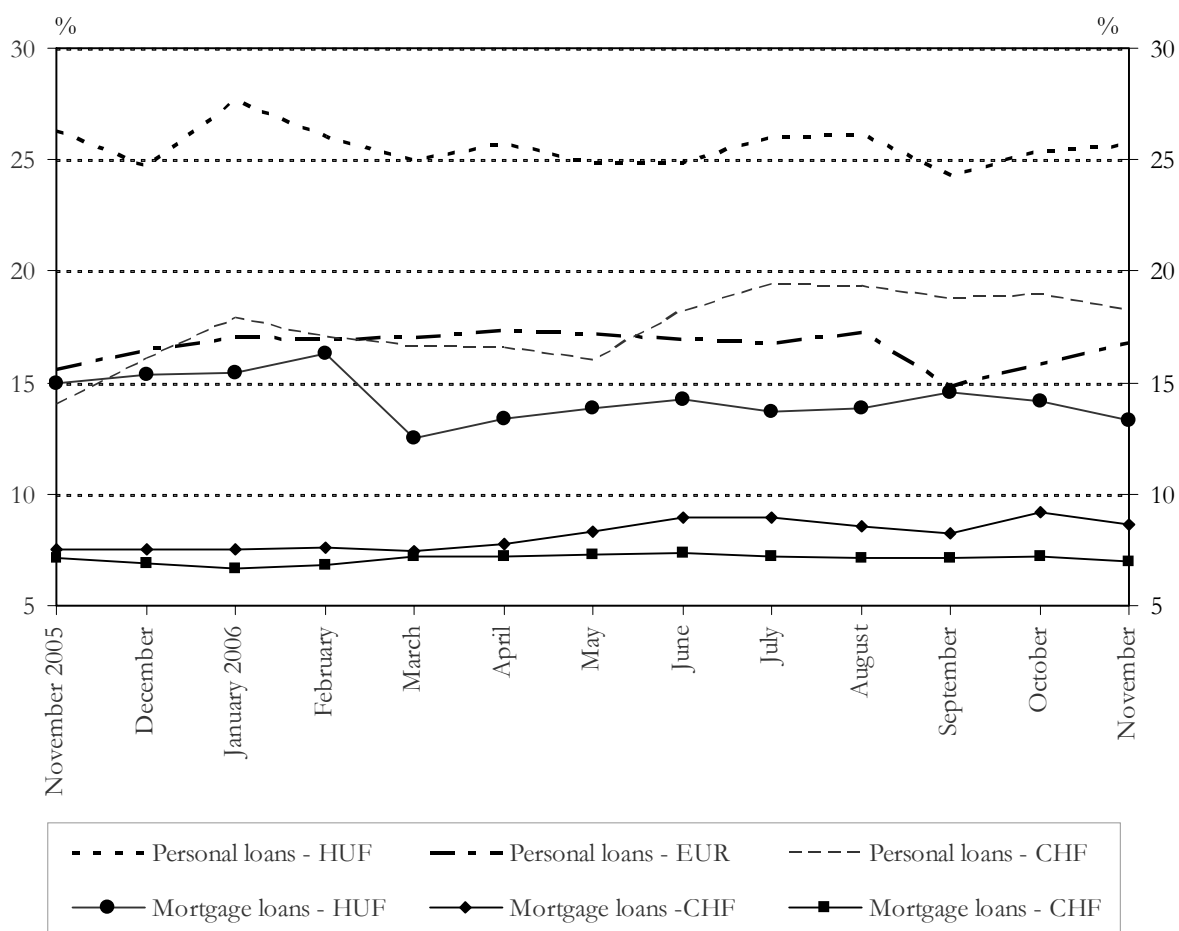
The average interest rate on Swiss franc-denominated consumer credit with floating interest rates or with up to one year initial rate fixation has been rising steadily since August. The main underlying reason is that in this period the ratio of personal loans with higher interest rate increased within consumer credit. In November, the annualised interest rate and APR on consumer credits amounted to 6.08% and 8.86%, respectively.

The levels of the average interest rate and average APR on Swiss franc-denominated loans for house purchase have remained unchanged in recent months, amounting in November to 3.39% and 5.73%, respectively.

⁴ Swiss franc-denominated consumer credit includes only personal loans and mortgage loans for consumption. Data on auto loans are not included, given that figures from few data providers are available. The Bank does not collect statistics on other loans denominated in Swiss francs (e.g. hire purchases).

1.4. APR on forint, euro and Swiss franc-denominated loans to the household sector

Chart 9 APR on forint, euro and Swiss franc personal and mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation



The APRs on households' forint and euro personal loans with floating interest rates or with up to one year initial rate fixation followed an upward trend in the last two months; the APR on forint and euro loans amounted to 25.62% and 16.77%, respectively. In November, the average APR on Swiss franc personal loans declined close to the 18% level, amounting to 18.24%.

The average APR on mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation declined in case of all the three denominations. In November, the average APRs on forint, euro and Swiss franc loans amounted to 13.32%, 8.67% and 7.00%, respectively.

Chart 10 New forint, euro and Swiss franc-denominated personal and mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation

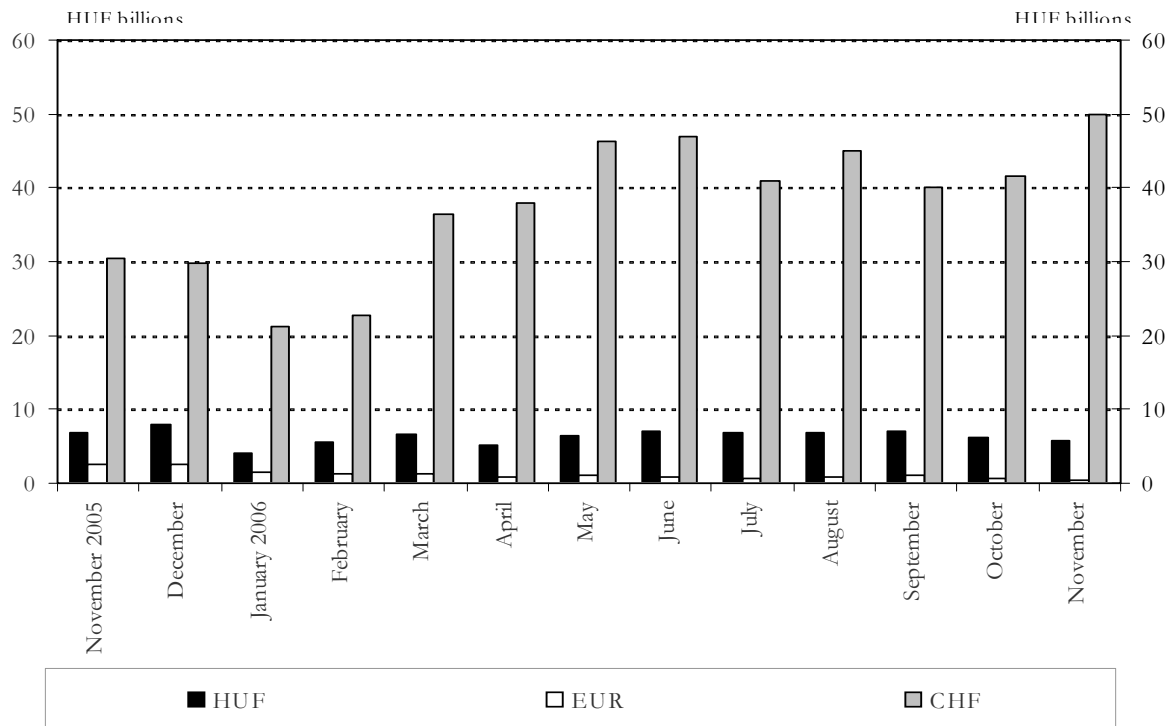
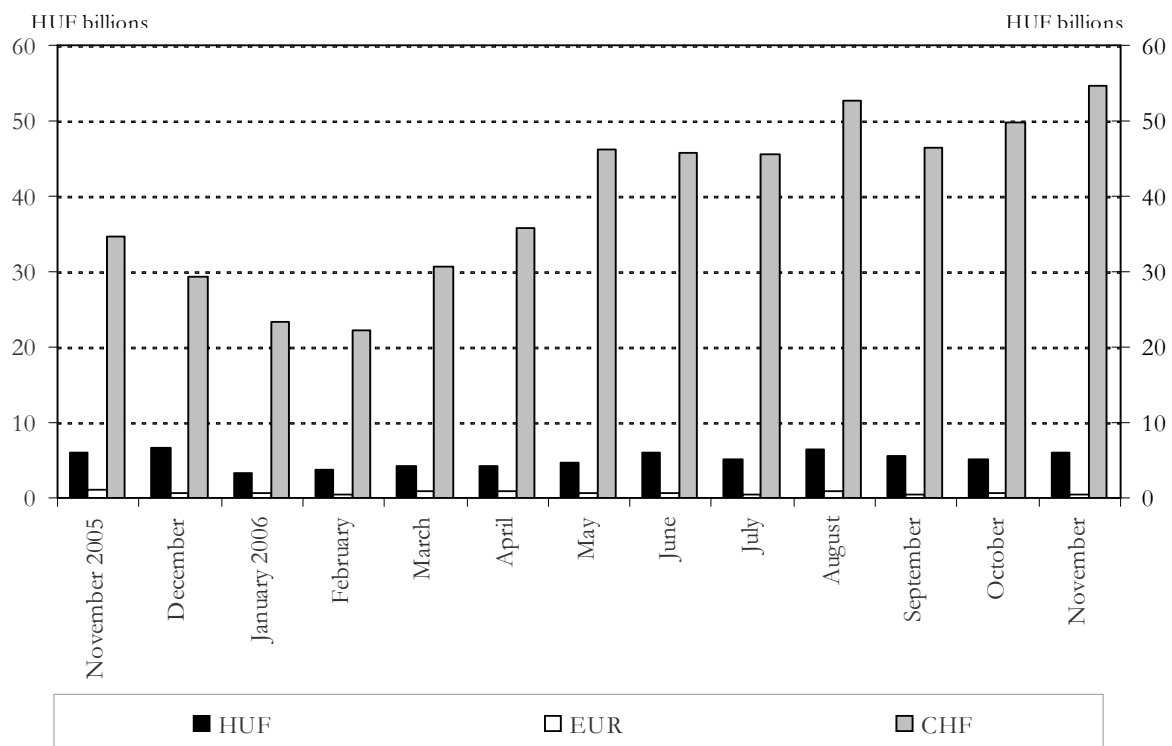


Chart 11 New forint, euro and Swiss franc-denominated housing loans with floating interest rates or with up to one year initial rate fixation

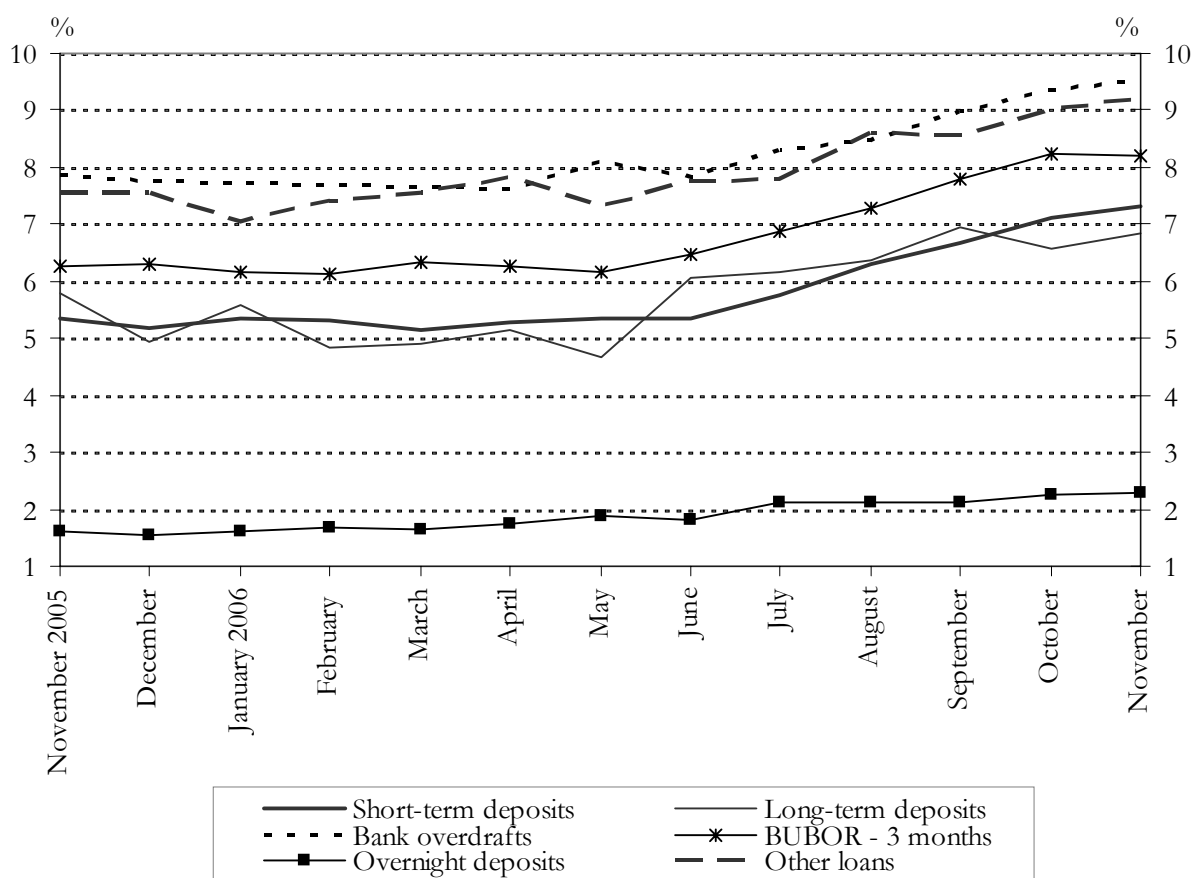


The value of new loans increased to the highest level of the last one year in case of both consumer and housing loans denominated in Swiss franc, which dominate within new loans. In November the value of consumer credits and housing loans amounted to HUF 49.9 billion and HUF 54.8 billion, respectively.

2. Non-financial corporations

2.1. Forint loans and deposits

Chart 12 Monthly average forint borrowing and deposit rates of non-financial corporations and the BUBOR

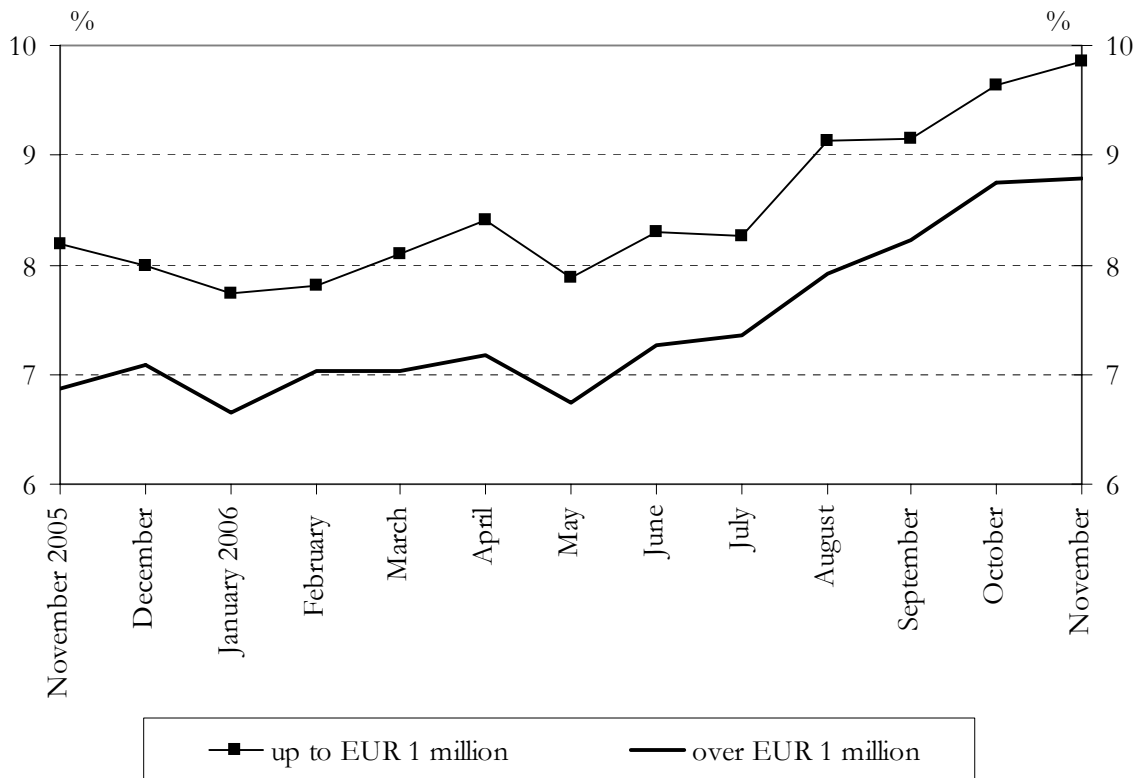


In November, in case of the average interest rates on non-financial corporations' forint loans and forint deposits the dynamic increase experienced since June stopped, and interest rates in November remained at the level of October. The average interest rates on overdrafts and on loans other than overdrafts were 9.52% and 9.22%, respectively. The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 203.6 billion in November.

In November, the average interest rate on overnight deposits, deposits with agreed maturity of up to one year and deposits with an agreed maturity of over one year amounted to 2.31%, 7.31% and 6.85%, respectively.

In November, the value of new deposits with an agreed maturity declined slightly, and amounted to HUF 1,318.3 billion.

Chart 13 Average forint borrowing rates of non-financial corporations (by loan amount)

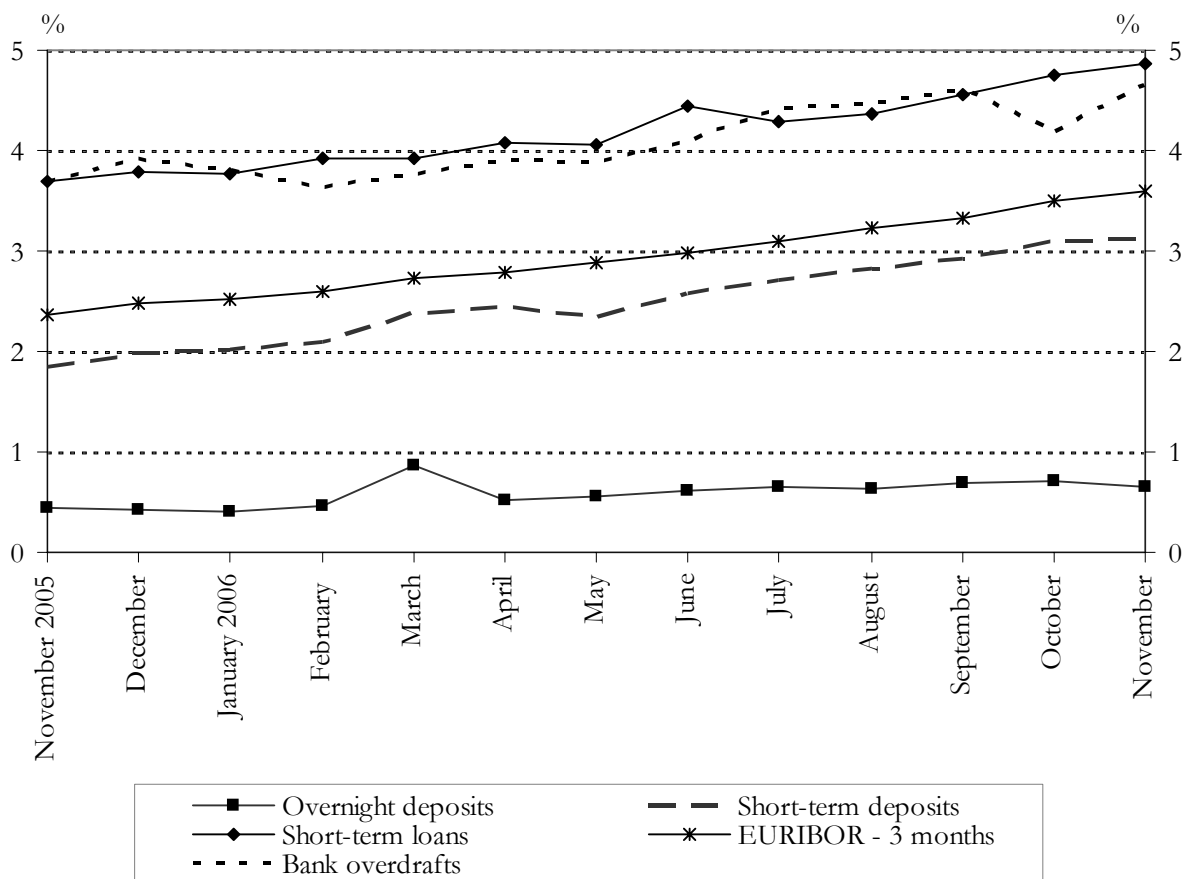


The average interest rate on forint loans, excluding bank overdrafts, below the equivalent of EUR 1 million⁵ provided to non-financial corporations increased from the 9% level in September close to 10%, amounting to 9.85% in November. The average interest rate on forint loans over the equivalent of EUR 1 million has remained unchanged compared to the October level, and amounted to 8.79%.

⁵ Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

2.2. Euro loans and deposits

Chart 14 Monthly average euro borrowing and deposit rates of non-financial corporations and the EURIBOR

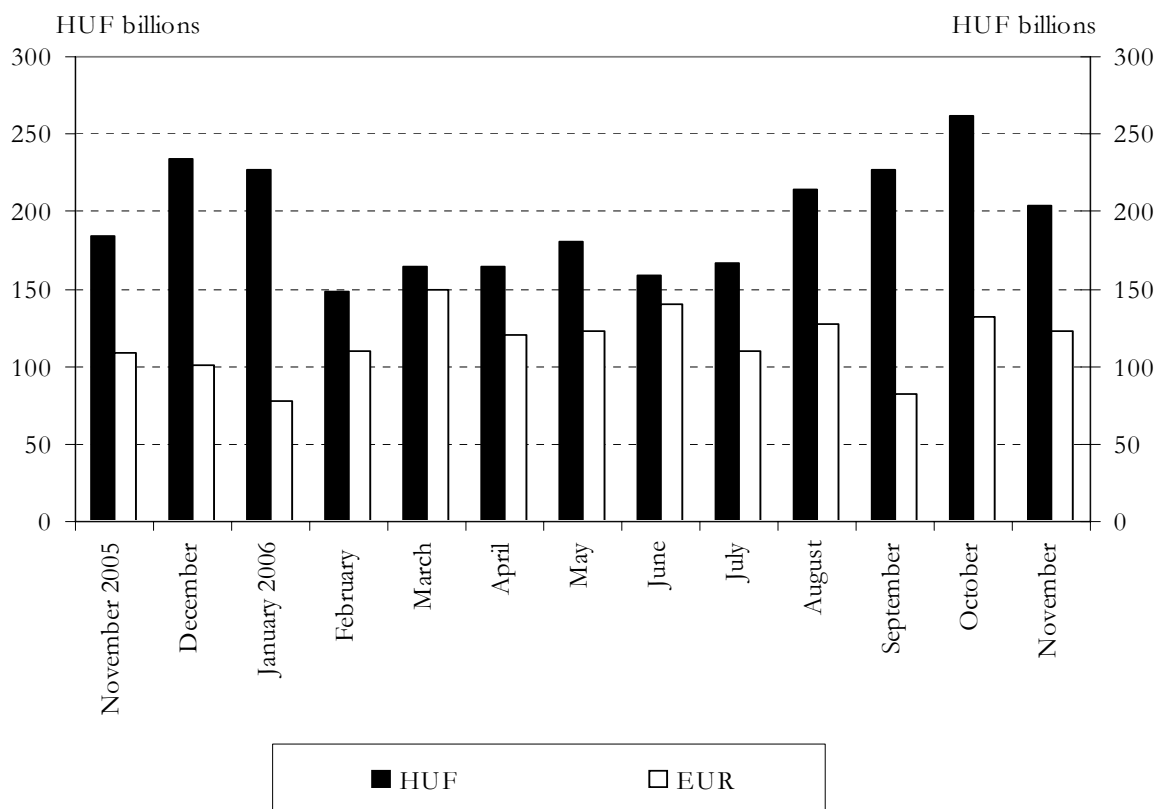


The average interest rate of non-financial corporations' euro-denominated loans with floating interest rates or with up to one year initial rate fixation, other than overdrafts, increased more slowly than the growth rate of EURIBOR, and amounted to 4.86% in November. Following the low value in the previous month, the average interest rate on overdrafts increased to the earlier level of 4.5%, amounting to 4.65%.

The level of the average interest rate on non-financial corporations' euro-denominated overnight deposits remained unchanged; in November the average interest rates on overnight deposits and deposits with an agreed maturity of up to one year were 0.66% and 3.11%, respectively.

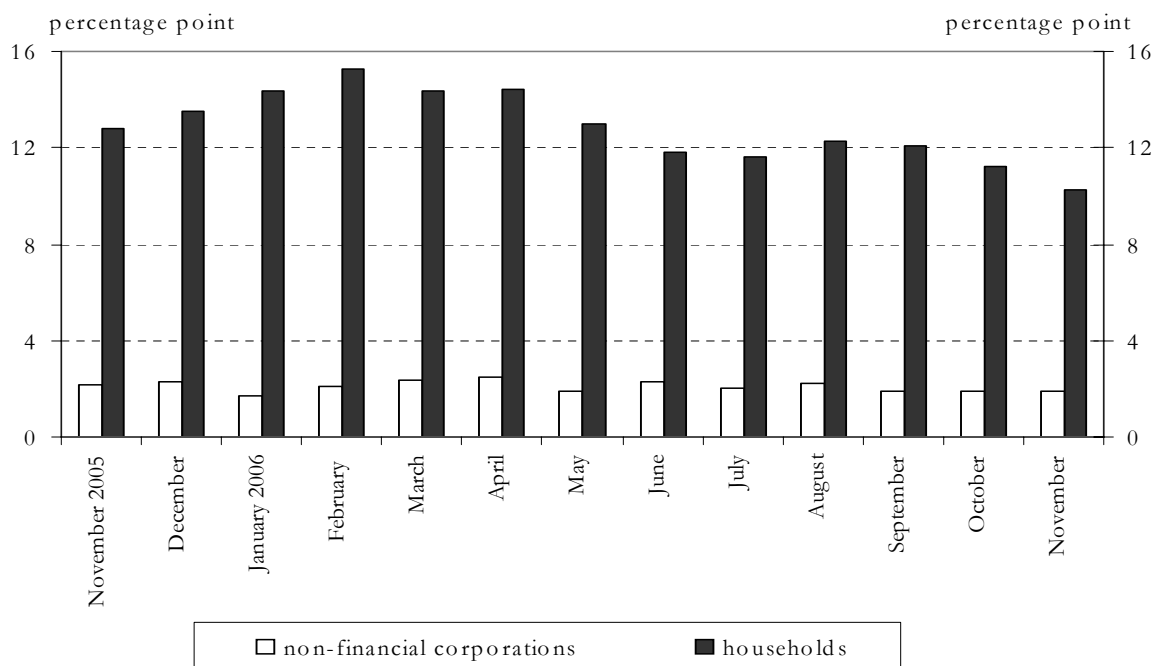
The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 123.0 billion, while that of deposits with an agreed maturity of up to one year was HUF 877.3 billion in November.

Chart 15 New forint and euro-denominated loans to NFCs' with floating interest rates or with up to one year initial interest rate fixation



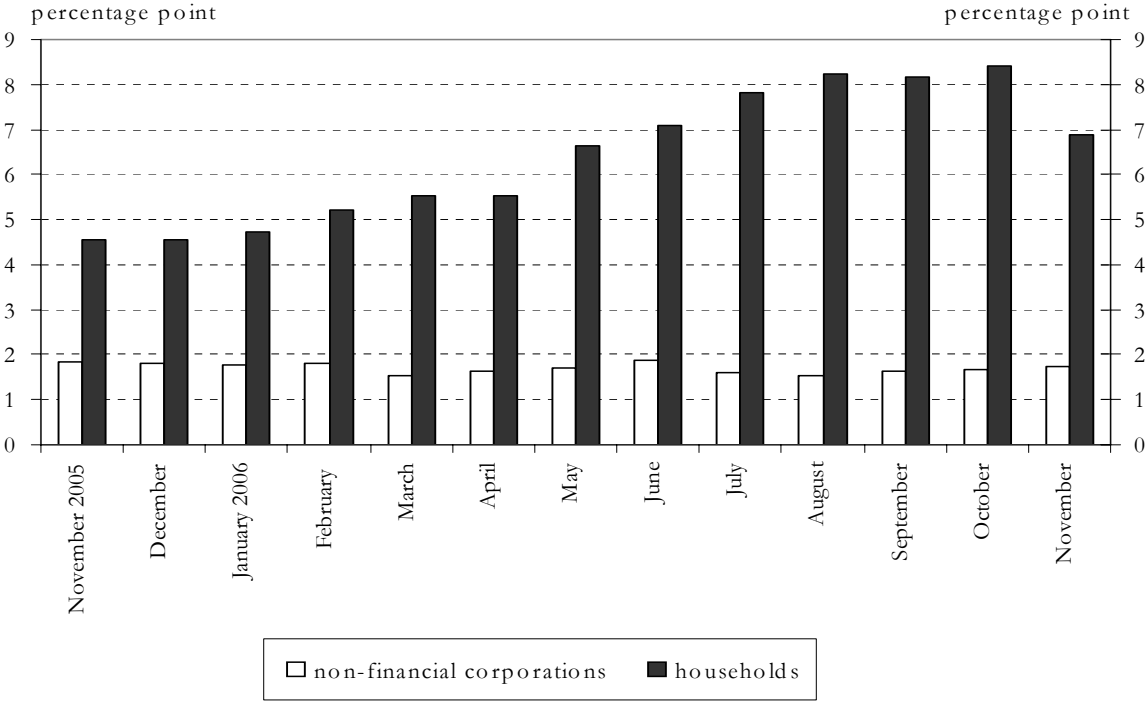
3. Differentials between loan and deposit rates

Chart 16 Differential between non-financial corporate and household sector forint borrowing and deposit rates



In the household market, the differential between average interest rates on consumer credit and on deposits with an agreed maturity of up to one year continued to decline in November due to a simultaneous increase in deposit interest rates and a decrease in interest rates on consumer credit. The difference between interest rates was 10.26 percentage points in November. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates amounted to 1.90 percentage points in November.

Chart 17 Differential between non-financial corporate and household sector euro borrowing and deposit rates



In the household market, the difference between average interest rates on euro-denominated consumer credit with floating interest rates or with up to one year initial rate fixation and on euro deposits with an agreed maturity of up to one year declined from the level exceeding 8 percentage points in the last couple of months to below 7 percentage points, amounting to 6.87 percentage points. In November, the difference between average interest rates on non-financial corporations' euro-denominated loans with floating interest rates or with up to one year initial rate fixation and on euro deposits with an agreed maturity of up to one year amounted to 1.74 percentage points.

4. Interbank unsecured forint loans

Chart 18 Average official and forint interbank rates in November 2006

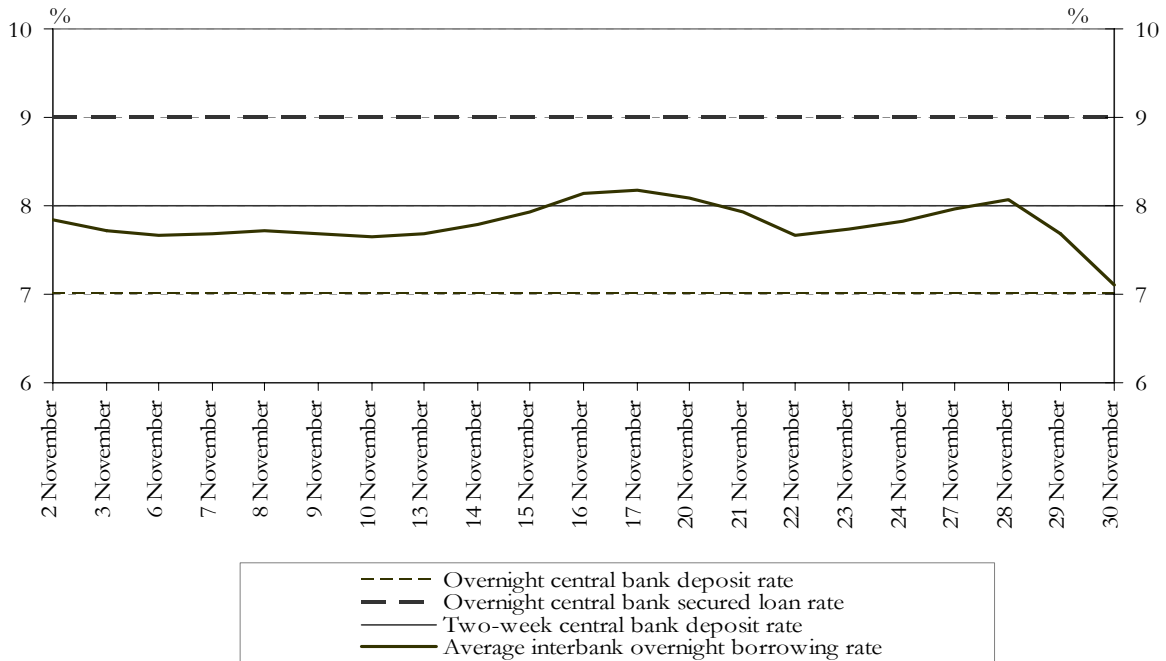
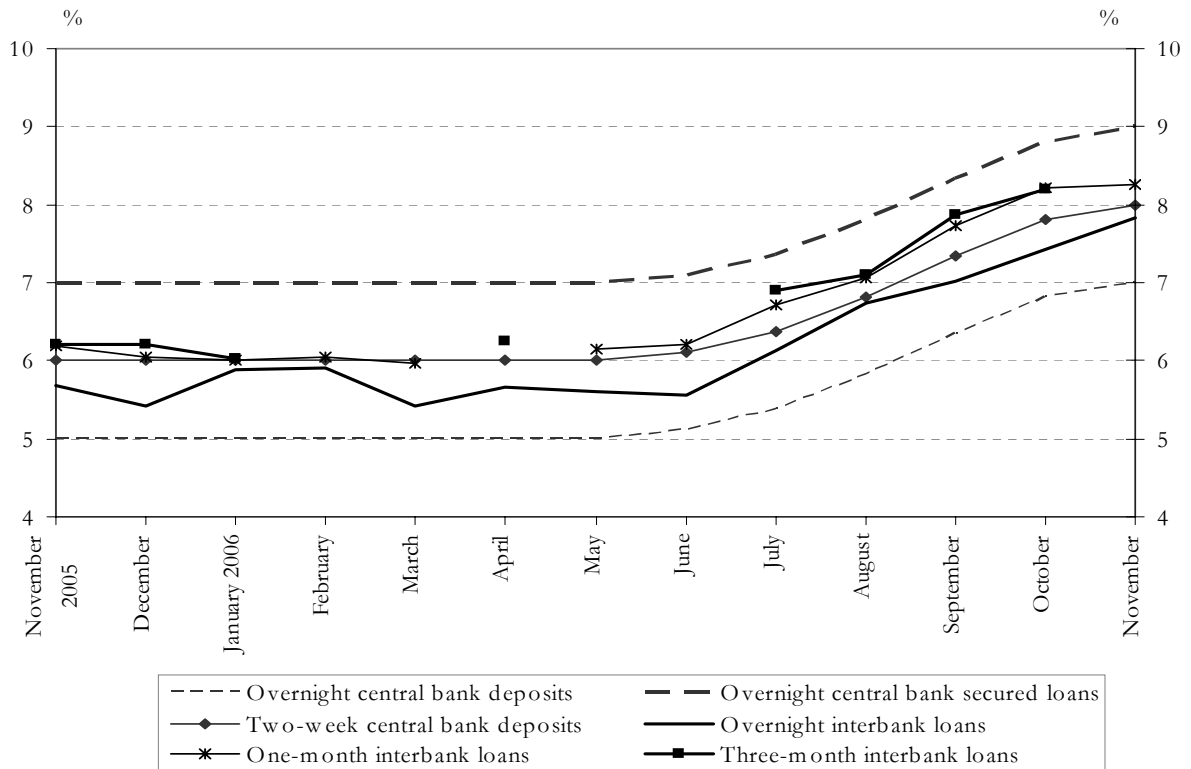


Chart 19 Average official and forint interbank rates



Turnover in the forint interbank market increased slightly in November, amounting to HUF 2,060.5 billion. Average interest rates on unsecured interbank forint lending rose at every maturity. In November, the average overnight interbank lending rate, weighted by the total value of transactions was 7.83%, while that on interbank loans provided for one month amounted to 8.26%. No interbank loans were provided for three months in November.

Daily interbank rates are available on request at the MNB's Communications Department. In addition, details of average interest rates and the amounts of new loans and deposits in the reference month which the MNB uses to calculate average interest rates as well as interest rates, weighted by month-end stocks, are available on the Bank's website at:

http://english.mnb.hu/engine.aspx?page=mnben_statistikai_idosorok

under IX. Money and capital markets.

MAGYAR NEMZETI BANK
STATISTICS

Notes to the press release charts

From 2006, the Bank has been using a sampling technique to define the range of data providers, in order to reduce the cost burden on reporting institutions. The disaggregation of the reporting population into homogenous strata has served as a basis for setting the sample. As a result, the composition of reporting institutions has changed, with the number of data providers falling.

Generally, the change in the range of data providers has not influenced developments in average interest rates, except in the case of certain loan facilities (e.g. loans for house purchase with over 10 years initial rate fixation), where few data providers reported significantly different data in 2005. Here, the change in the range of reporting institutions has amplified the effect of changes in the composition of loans.

This press release includes, in addition to data on transactions in the forint interbank market, credit institutions' lending and deposit rates applied in their loan and deposit transactions with Non-financial corporations (S.11) and Households (S.14), as well as the aggregate amounts of new loans provided to and deposits accepted from the two sectors. The interest rate statistics also include data on Non-profit institutions serving households (S.15), in addition to households. Furthermore, credit institutions also include building societies whose business is to accept deposits from households and non-financial corporations at low interest rates and to provide loans – mainly for house purchase – at below-market interest rates.

The average interest rates, published in the press release, are calculated in a multi-stage process. The different levels of aggregation are illustrated by the table below:

Levels of aggregation (i.e. of calculating averages)	Stages of aggregation (calculation of averages)	Who aggregates?
4	Average interest rate calculated for data providers	Magyar Nemzeti Bank
3	Average interest rate on all products of data provider (e.g. consumer credit)	Data provider
2	Average interest rate on one product (e.g. hire purchase)	Data provider
1	Interest rate agreed in contract	Data provider

A change in the average interest rate may be caused by a combination of a change in individual interest rates and the composition of loans. In the press release, mention is made of the effect which has more weight in changes in average interest rates (interest rate change or composition effect).

The table also shows that interest rates reported to the MNB are averages and, therefore, the MNB is only able to segregate the effects of interest rate changes or composition changes for average interest rates by data providers individually. Consequently, an interest rate change derived at the highest level of aggregation only means that (provided that there is no supplementary information available for the MNB) a change in the banking sector's average interest rate has

been caused by a change in average interest rates at data providers individually. However, individual data providers' average interest rates may also change as a result of composition effects, i.e. because there has been a shift in the percentage shares accounted for by the various facilities and/or within the individual facilities. Generally, the MNB has no information on the size of a composition effect or actual interest rate change occurring at individual data providers.

In the time series downloadable from the MNB's website, consumer credit is further broken down by purpose:

- Personal loans,
- Car purchase loans,
- Mortgage loans for consumption,⁶
- *Loans for purchase of goods or other.*⁷

The differences between interest rates in this press release are calculated from data before rounding. Consequently, the differences may differ from those derived from rounded interest rates published.

Charts 1 and 7

a) Average interest rates on consumer credit, housing loans and other loans refer to new contracts. By contrast, interest rates on overdrafts refer to end-of-month stocks. Consequently, the Bank uses the total amount of new loans and the end-of-month stocks as weights to calculate average interest rates on the first three categories of loans and on overdrafts, respectively. Average interest rates do not include those on non-performing loans.

b) Other loans include, among others, sole proprietors' entrepreneurial loans as well as non-consumer and loans for purposes other than house purchase.

c) In addition to interest rates on consumer credit and other loans, the Bank also publishes the APR expressing total costs of consumer credit and housing loans of the household sector. The method underlying the calculation of the APR, published by the MNB, is identical to that defined by Government Decree No. 41/1997, and it is applicable to all types of consumer credit and housing loans, irrespective of maturity.

Charts 2, 3, 4, 5, 7, 8, 9, 14

Contractual data on loans are broken down by initial interest rate fixation instead of original maturity. Interest rate fixation refers to the period for which the interest rate is fixed in loan contracts. All floating rate loans and those fixed interest loans, for which the interest rate is fixed for up to 1 year in the original contracts, are classified into the category 'Floating rate or up to 1 year initial rate fixation'.

Charts 4 and 5

a) The weighted average interest rate on housing loans include data on home loans whether they are provided under market conditions or subsidised. Data providers adjust the averages of assets-side subsidised interest rates by adding the amount of government subsidy to the interest rate charged to customers. In the case of liabilities-side subsidised loans, difference between the reference yield on government securities, nearest to the term of the loan, and the interest rate on funds borrowed in the interbank market is added to the interest rate charged to customers.

⁶ The Bank has been collecting data on forint, euro and Swiss franc mortgage loans for consumption since January 2005.

⁷ The Bank collects data only on forint instalment loans and other consumer credit.

Consequently, interest rates on housing loans also depend on variations in money and capital market interest rates.

b) From January 2003, contractual data on loans are broken down by initial interest rate fixation instead of original maturity. Interest rate fixation refers to the period for which the interest rate is fixed in a loan contract. All floating rate loans and those fixed interest loans, for which the interest rate is fixed for up to one year in the original contracts, are classified in to the category 'Floating rate or up to one year initial rate fixation'.

c) Since January 2006, in case of housing loans with maturity over 10 years the change in the selection method of data providers has significantly influenced both the average interest rate and the average APR. As a result of the methodological change, the weight of building societies decreased significantly in case of this facility, which is provided by relatively few banks. The higher average interest rate published since January 2006 better reflects the market situation, as loans provided by building societies at a 6% interest rate are less easily available than more expensive facilities provided by banks.

Charts 6 and 7

Average interest rates on deposits with agreed maturity are calculated using the total amount of new loans as weight, while those on overnight deposits are calculated using end-of-month stocks as weights. Deposits with agreed maturity are classified into the various categories on the basis of original maturity.

Chart 8

Annualised interest rate is an indicator which takes into account the frequency of interest payment. If interest was paid only once a year, the annualised interest rate would be equal to the agreed interest rate. However, in the case of the majority of loan and deposit contracts, interest is paid more than once a year, so the annualised interest rate slightly exceeds the agreed interest rate. If interest was paid with a frequency of less than a year, the annualised interest rate would be lower than the agreed interest rate.

For example, assuming monthly interest payments, the annualised interest rate calculated on the basis of a 10% p.a. interest rate is 10.5%, and 10.3% assuming semi-annual interest payments.

Charts 12 and 14

Average interest rates on deposits with agreed maturity are calculated using the total amount of new loans as weight, while those on overnight deposits are calculated using end-of-month stocks as weights. Consequently, loans excluding overdrafts are weighted by the amounts of new loans, while overdrafts are weighted by end-of-month stocks to calculate average interest rates. Average interest rates do not include interest rates on non-performing loans.

Chart 13

The euro equivalent of forint loans is calculated using the MNB's central exchange rate for the last day of the month. The interest rates refer only to forint-denominated loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively.